SIT-12

CFDRC
Better Decisions, Better Products
Through Simulation & Innovation

February 25, 2005

Mr. Gary M. Jackson,
Assistant Administrator for Size Standards
409 Third Street, SW
Washington, DC 20416

Reference: RIN 3245-ZA02

Dear Mr. Jackson:

Enclosed please find our comments regarding the Small Business Size Standard issue. Please note the attached sheet does not include my name or company name; we are not sure if these are used with or without identification of the commenter. We have also submitted these through a "Rulemaking Portal".

For your reference, also attached is a one-page company profile.

Should you desire further information, or discussion, please do not hesitate to contact me. Thank you for your time and consideration.

Sincerely,

AK Singhal

Ashok K. Singhal, Ph.D.,
President and CEO

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email: aks@cfdrc.com

enclosures

Comments on SBA Small Business Size Standards
(RIN 3245-ZA02)

In the overall sense, the SBIR program has been a great success and has been serving its purpose of promoting "Innovation" and "Commercialization" very well. More specific comments and suggestions are provided below.

Size Standard

The current practice of number of employee based size standard is simple and effective. At best it may be refined for a full-time equivalent (FTE) basis.

Affiliation with other Business

The current practice of including all affiliates in the size standard is simple and fair. The best refinement will be a clear statement of no exceptions, exclusions, or special considerations.

Participation of businesses majority-owned by Venture Capital Companies

It will open up a "Pandora's Box" of loopholes, and will skew the SBIR program away from its original intent and great record of success of over 20 years. A more constructive way is suggested below.

Grandfathering of Successful Small Businesses

A simple provision for 2.5 (two and half) years extension of small business status will ensure smooth transition of successful small businesses into Joint Ventures, VC-controlled businesses, or subsidiaries of large corporations. This will be of considerable value to all parties, i.e., the subject Small Business, interested VC or large business, and the U.S. Government (i.e., initial investor in the growth and success of a small business).

The large companies and VC firms can provide critical help in augmenting management, financial, and commercialization capacity of a small business. However, the **timing has to be right**. It is best determined by the present **"free market"** approach, i.e., interested successful small businesses approach large companies and VC firms, and offer promising technologies and expertise (experienced personnel). They in turn choose the most promising small businesses as their partners. For gaining full benefit from such partnerships, quite understandably, most large companies and VC firms like to take the controlling position, i.e., majority ownership.

Under the current practice, such association causes an **abrupt change** (sudden loss) of small business status, e.g. eligibility for SBIR projects. This sudden loss of small business's self-sustaining capacity creates tremendous difficulty in negotiations and always results in under valuations. The proposed provision for 2.5 years transition time (grandfathering clause) will remove these difficulties and will substantially increase and accelerate transitions of successful small businesses into the true boosters of US economy.

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COMPANY PROFILE

CFD Research Corporation (CFDRC) specializes in engineering simulations and innovative designs. First-principle based multidisciplinary simulations facilitate **Objective Decisions** in the development of new concepts, designs, and operations of engineering equipment and systems. CFDRC's software allows coupled Multiphysics, Multiscale simulations of fluid, thermal, chemical, biological, electrical, and mechanical phenomena for real-world applications. Such simulations enable **Better Decisions** and facilitate **Better Products** with lower risk, reduced cost, and less time.

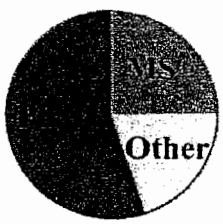
Using its software and experimental facilities, CFDRC develops new hardware concepts, innovative designs, and prototypes. Selected designs are patented and licensed to interested organizations.

CFDRC's success stems from the **Strong Synergy** between:

- Research and Development (R&D) projects (funded by DoD, DoE, NASA, NIH, NSF, NIST, DARPA, HSARPA, and private industry).
- Commercialization of developed technologies:
  a) Software modules and products; and
  b) Novel designs and prototypes.
- Engineering services for Operational safety studies, Design support, Software customization, and CFD consulting.

CFDRC has grown steadily and profitably every year since its inception in 1987. Our software products and services are used by over 500 organizations, including over 50 Fortune 500 companies, worldwide. Major industries include: Aerospace, Biomedical, Defense, Electronics, Materials, Power, and other industries. CFDRC's hemodialysis catheter has been licensed to a biomedical company, and will reduce hospitalization time for dialysis patients. Likewise, a gas turbine fuel injector has been licensed to an aircraft engine manufacturer, and will significantly reduce engine emissions. In recognition of CFDRC's commercialization successes, we have been awarded the prestigious Tibbetts Award and have been cited in the success stories of several government agencies (such as NASA and the U.S. Navy).

In January 2004, CFDRC sold its commercial software products division to a software company (ESI Group), for further commercialization of CFD-ACE+ and CFD-FASTRAN through their global infrastructure for marketing, sales, and support. CFDRC retains a perpetual, royalty-free license to use, modify, and customize the software for its R&D and service contracts. After the spin off and transfer of associated personnel, CFDRC maintains a highly qualified staff of 75 employees in Huntsville, AL, and active collaborations with over 30 research organizations worldwide.



CFDRC, a U.S. Small Business, remains **Committed to Growth,** by continuing to work closely with its customers in their quests of developing better products at a pace faster than that of their competitors.

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